



## **2014 Medicaid Expansion Update**

House Ways and Means Committee  
October 8, 2012      10 a.m.

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# Today's Update

**The Affordable Care Act Coverage Options**

**Initial Estimates of New Medicaid Enrollees**

**2013 Legislative Session Discussion**

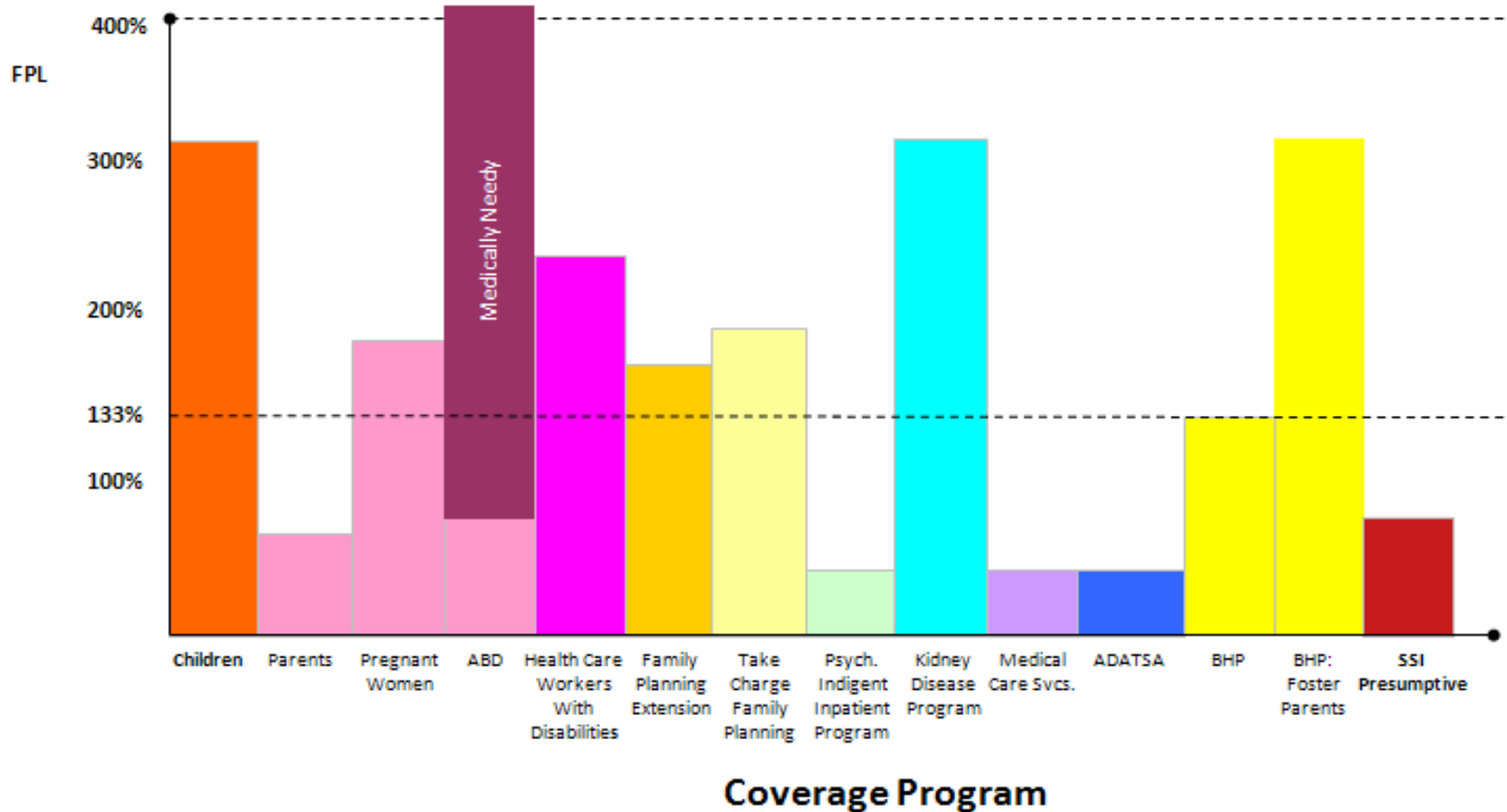
**Timeline of Key Tasks**

# The ACA Coverage Options

# Today's Medicaid Covers...

- Children – 300% FPL;
- Pregnant women – 185% FPL;
- Families (parent & caretaker relatives) – ~40% FPL;
- Aged, blind, disabled adults - ~75% FPL
- Childless adults *may* be served in optional programs (e.g., Basic Health, Medical Care Services, ADATSA etc.)
- Today, Washington's Medicaid/CHIP programs cover ~1.16 million lives

# Today's Washington State Landscape



# Medicaid Coverage in 2014

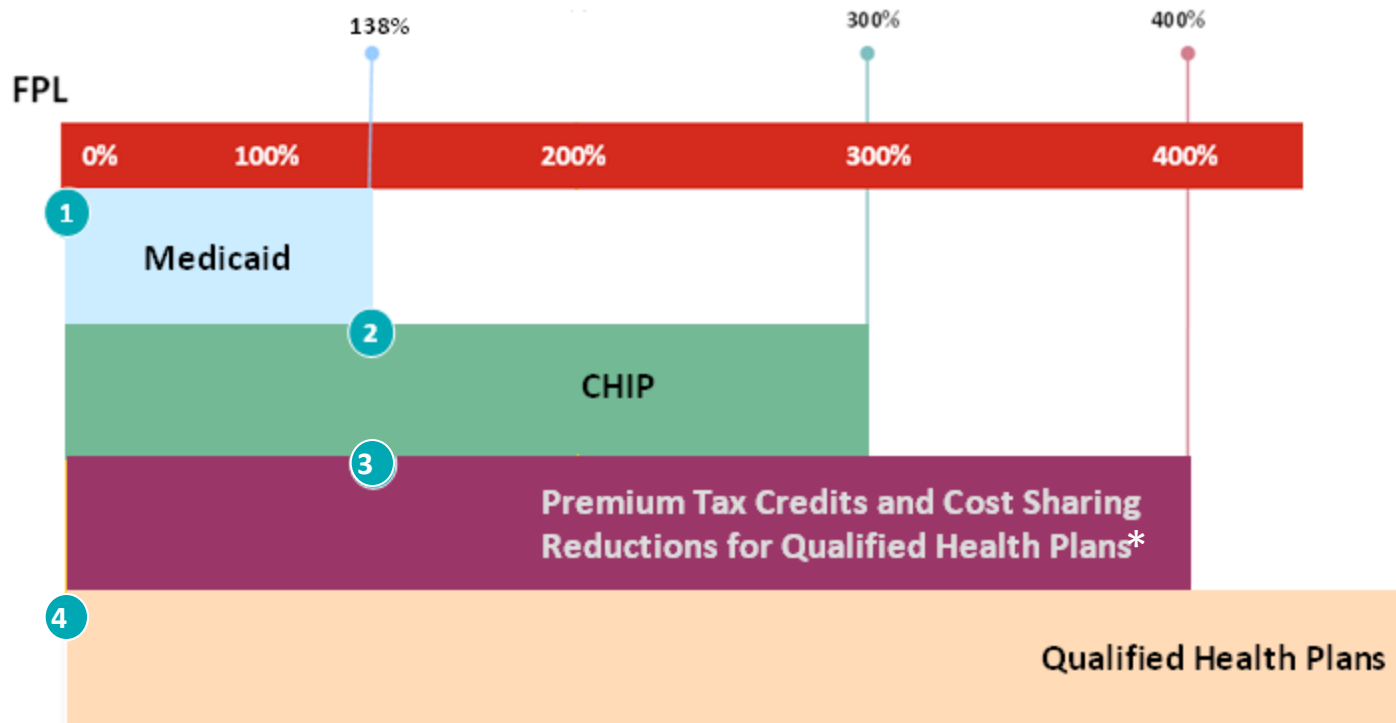
- Option to expand Medicaid to 138% of the FPL for adults under age 65 not receiving Medicare\* - based on Modified Adjusted Gross Income (MAGI)
  - MAGI defines eligibility for children, pregnant women and parents
  - Non-MAGI (classic) Medicaid eligibility still applies to aged, blind, disabled, SSI, & foster children – ACA doesn't impact these groups
- In Washington, Medicaid expansion would offer new comprehensive coverage to:
  - **Childless adults** with incomes below 138% of the FPL
  - **Parents** with incomes between ~40% and 138% of the FPL

\* The ACA's "133% of the FPL" = 138% of the FPL because of a 5% across-the-board income disregard

# Enhanced Federal Funding for Newly Eligible Adults

- Newly eligible parents and childless adults include those who are:
  - under 65 years old
  - not pregnant
  - not entitled to Medicare
  - not in an existing Medicaid category (e.g. children, pregnant women, aged, blind and disabled)
- Enhanced federal funding for costs of newly eligible adults:
  - 100% federal funding from 2014-2016
  - Enhanced federal match declines to 90% in 2020 and remains at 90% thereafter

# 2014 ACA Continuum of “Insurance Affordability Programs”



\* Federal Basic Health Plan Option for individuals with incomes between 138% and 200% of the FPL will not be available in 2014.



# Federal Basic Health Plan Option

- ACA Section 1331 – allowed subsidized insurance affordability program (IAP) for individuals with income up to 200% of FPL & not Medicaid eligible
- WA submitted proposal to CMS (June 18, 2012) requesting technical assistance to resolve critical design issues
  - E.g., BHPO Trust Fund development/management (based on 95% APTCs), administrative funding source, benefits design, hold-harmless provisions for initial subsidy reconciliation, re-insurance/risk adjustment
- Follow-up request made August 21, 2012
- Resources redeployed because CMS guidance not provided and not likely

# Uninsured Groups Remain

- Undocumented immigrants
- Individuals exempt from the mandate who choose to not be insured (e.g., because coverage not affordable)
- Individuals subject to the mandate who do not enroll (and are therefore subject to the penalty)
- Individuals who are eligible for Medicaid but do not enroll

# Initial Estimates of Medicaid Expansion

# Initial Enrollment Modeling

- Washington contracted with Urban Institute to model estimates of potential enrollment impact  
*...as if the Affordable Care Act were fully implemented in 2011*
- Analysis includes:
  - Characteristics of new Medicaid enrollees (e.g., age, health status, geographic location)
  - Projected eligibility counts
  - Projected enrollment & ramp-up
- Report available at:  
<http://www.hca.wa.gov/hcr/resources.html>

# Eligibility/Enrollment Projections

	N
<b>Currently Enrolled</b>	1,095,254
<b>Potential New Enrollees</b>	1,039,228
Currently Eligible, Not Enrolled <sup>1</sup>	544,921
Newly Eligible Under Reform	494,307
<b>Projected New Enrollment<sup>2</sup></b>	328,221
Currently Eligible, Not Enrolled	77,913
Newly Eligible	250,308

Most will retain their private ESI coverage

**Welcome Mat**  
~29,000 uninsured adults  
~49,000 children

**New Eligibles**  
Includes transfers from Transitional Bridge waiver programs

Source: UI Analysis of Augmented WA State Database

1. This estimate may be an overstatement. Our data represent a single point in time; crowd-out provisions and other aspects of eligibility that require knowledge of an applicant's history could not be modeled.
2. We simulate the Medicaid expansion as if fully implemented in 2011

# Fiscal Impact Model By Nov 2012

- Workgroup (executive/legislative staff) building common FY14-21 models of ACA cost impact for 2013-15 budget proposals
  - Jul 2013 - Dec 2013 based on current programs
  - Post Jan 2014 based on ACA options

## Caseload:

- Urban Institute ramp-up population estimates inform official Caseload Forecast Council impacts

## Costs:

- Urban Institute percapita estimates inform HCA percapita forecast

# 2013 Legislative Discussion

# Key Considerations

- Governor directed agencies to proceed with Medicaid expansion; spending authority will require further Legislative/Executive action
- Federal guidance still needed in critical areas
  - Methodology for streamlined federal funding (FMAP)
  - Medicaid Benchmark benefit design including mental health and substance abuse parity
  - Conversion to MAGI eligibility determination Oct 2013 for children, parents and pregnant women
  - Post eligibility review specifics
  - Final rules for 2013-14 primary care physician rate increase (expected Nov 2012)
  - Too late to support Federal Basic Health Option in 2014
  - Continued financing for Take Charge waiver (2014); CHIP reauthorization (2015)
- Phased systems development to maximize success



# Medicaid Expansion Goals

- Optimize opportunities to streamline administrative processes
- Leverage cost-effective use of federal, state & private dollars
- Maximize use of technology to create consumer-friendly application/enrollment/renewal experience
- Maximize continuity of coverage & care as individuals move between subsidized coverage options
- Reform the Washington way --- comply with, or seek waiver from, specific ACA requirements related to coverage and eligibility, as needs are identified

# Key Questions

- **Budget** – what are the short and long-term implications of full/partial/no Medicaid expansion?
- **Transition of optional programs** – how could current optional programs be effectively streamlined?
- **Benefit design for new adults** – what are the parameters for designing the Benchmark benefit package?
- **Whole family coverage/churn** – what options best support families whose circumstances change?

# Fiscal Implications of Expanding Medicaid

- **The cost of covering newly eligible adults with the benchmark package of benefits, considering:**
  - Number of newly eligible who enroll -- no means-tested program ever achieves 100% take-up
  - Per member per year costs of newly eligible -- newly eligibles tend to be lower-risk
  - Fully federally funded from 2014-2016, with federal funding decreasing to 90% of costs in 2020+
- **The potential State savings from current Medicaid and state/locally-funded services, and additional State revenues, including:**
  - Current Medicaid populations move to new adult group with enhanced federal match
  - Costs of State-funded programs for the uninsured (e.g. mental health/substance abuse programs) will go down as population gains Medicaid coverage
  - State revenue increases from provider/insurer assessments & general business taxes on new Medicaid revenue
- **The broader economic value of additional health care dollars to the health care system and the State economy**
  - Reduced number of uninsured (increased access to care, fewer medical bankruptcies)
  - Increased revenue for providers
  - Increased employment in the health care sector

# Costs of Not Expanding Medicaid



## **Consumers**

Individuals whose incomes are too high for Medicaid but too low for Premium Tax Credits (less than 100% of the FPL) will have no coverage options and NO tax subsidies for purchasing health insurance

## **Providers**

Hospitals will face not only the continued costs of providing uncompensated care, but also a reduction in federal disproportionate share hospital (DSH) funding



## **Employers**

Employers will face new coverage obligations for individuals with incomes between 100% and 138% of the FPL; additionally, large employers will face a penalty if full-time employees in this income bracket obtain a premium tax credit through the Exchange

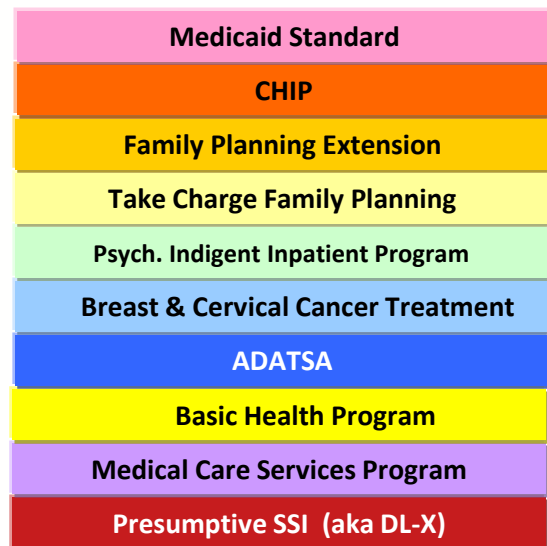


## **Exchange**

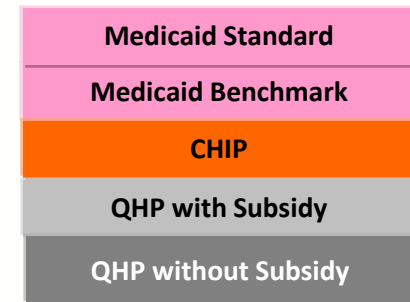
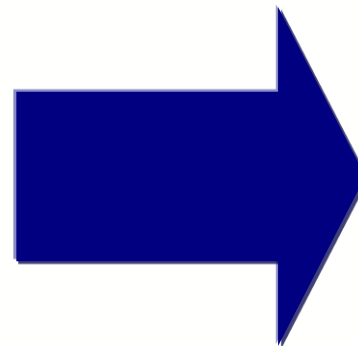
Interfacing between State Medicaid programs and the Exchange will become very complex administratively, with many “hand-offs” and eligibility determinations conducted against a patchwork of existing state Medicaid categories with variable income levels



# ACA Opportunity to Streamline Programs



2014 Coverage Continuum through  
Insurance Affordability Programs



Streamlining considerations – numbers affected,  
access/continuity of coverage through IAP continuum,  
administrative complexity, transition timing

# Optional Programs Streamlining “Strawman”

- No change in current program
  - Health Care for Workers with Disabilities (supports return to work)
  - Medically Needy (many will likely convert to new adult group at 100% FMAP)
- Transfer enrollees to MAGI Medicaid/Exchange, eliminate current program and refinance state investment with federal dollars
  - Federal terms & conditions require Transitional Bridge waiver to end 12/31/13 (Current Basic Health, Medical Care Services, ADATSA)
  - Presumptive SSI (aka DL-X)
  - Breast & Cervical Cancer Treatment Program
- Assessment continues - link to cash/housing assistance, AEM impact

# New Adult Group Receives Benchmark Coverage

- **The Medicaid Benchmark must:**
  - Cover all 10 essential health benefits (EHBs)
    - Ambulatory Services
    - Emergency services
    - Hospitalization
    - Maternity and newborn care
    - Mental health and substance use disorder services, including behavioral health treatment
    - Prescription drugs
    - Rehabilitative and habilitative services and devices
    - Laboratory services
    - Preventive and wellness services and chronic disease management
    - Pediatric services, including oral and vision care
  - Meet mental health and substance abuse parity
  - Cover non-emergency medical transportation
  - Cover Early Periodic Screening, Diagnosis and Treatment (EPSDT)
- **The Medicaid Benchmark may:**
  - Align with existing Medicaid benefit package
  - Differ for different eligibility groups
  - Be different for: (1) healthy adults, and (2) medically frail adults

# Whole Family Coverage/Churn Options

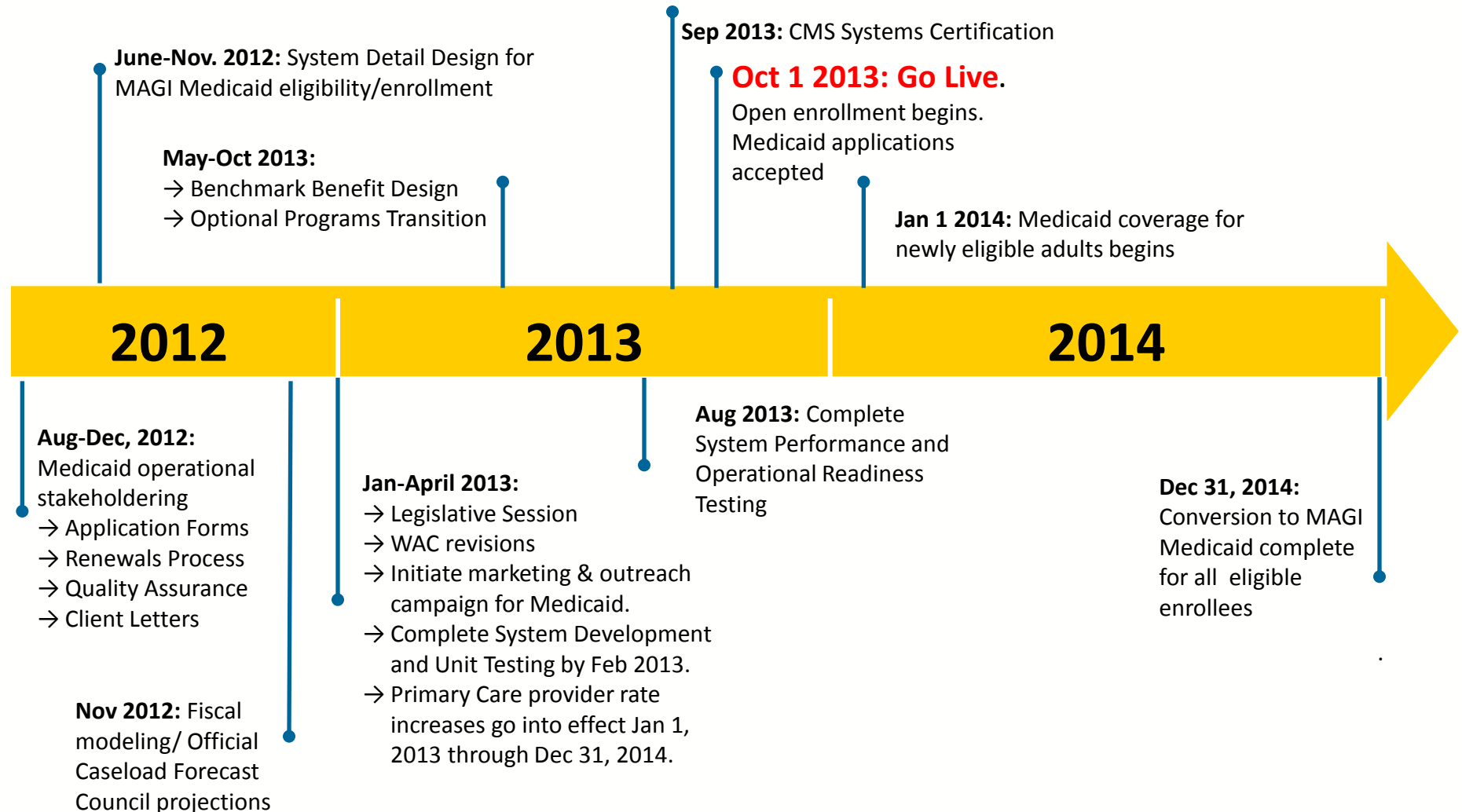
- Changes in circumstances cause churn across coverage (e.g., income, family or employment status, pregnancy, child birth)
- Differing eligibility levels potentially split families across different managed care plans and provider networks (e.g., children/pregnant mother in Medicaid, father in Exchange)

**The Challenge = rationalizing and simplifying family coverage options**



# Timeline of Key Tasks

# Timeline of Key Tasks: Much Work to be Done



# For Follow-up Information

- Main HCA web-site: <http://www.hca.wa.gov/>
- For information on the Medicaid expansion: <http://www.hca.wa.gov/hcr/me>
- To contact us on the Medicaid expansion: [medicaidexpansion2014@hca.wa.gov](mailto:medicaidexpansion2014@hca.wa.gov)